



June 8, 2007

Chairman Kevin Martin
Commissioners Michael Copps
Adelstein
Commissioner Deborah Taylor Tate
McDowell
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Commissioner Jonathan

Commissioner Robert

Re: WC Docket No. 07-52

Dear FCC Chairman and Commissioners:

The Small Business and Entrepreneurship Council (SBE Council) seeks to advance public policies that help the U.S. economy by improving the environment for business start-up and growth. Through advocacy, research and education, SBE Council members and staff highlight the powerful contribution of entrepreneurs to innovation, job creation, economic opportunity and the U.S. economy. We focus our efforts primarily on proposed initiatives that encourage and promote entrepreneurship, and help to educate lawmakers and policymakers about the unintended consequences of well intentioned but often injudicious or unnecessary policy proposals.

In today's increasingly interconnected world where the Internet has expanded market opportunity by knocking down geographic and cost barriers, policies that affect the Internet's future are critical to our constituents. For small business owners and entrepreneurs, the Internet has been a great leveler that enhances their ability to introduce their products and services to more customers while competing head-to-head with larger enterprises.

The FCC's Notice of Inquiry on the broadband market is of significant interest to our constituency. A stable and robust Internet providing a wide range of services is critical to the success of the small business and entrepreneurial sector. In that regard, we are pleased that infrastructure

investment by network operators is on the rise. This trend suggests that our networks will continue to be enhanced to carry a growing volume of Internet traffic. We urge the Commission and other policymakers to support initiatives that will promote even greater investment in the years ahead.

It is not without coincidence that government's pro-market approach over the past decade with respect to the Internet and telecommunications policy has led to extraordinary technological gains. During this period, billions of dollars in new investment have yielded a faster, more robust Internet; more innovative services and choices for entrepreneurs; mobile tools that enable the use of this advanced technology; ground-breaking hardware and software that leverages the power and use of the Internet and telecommunications services; and lower costs for such products and services. The collective output of all this innovation has benefited U.S. firms with respect to increased productivity and creative opportunities for lowering operating costs.

SBE Council believes that there is no sound rationale for upending the current policy path. An arbitrary and hasty U-Turn on the public policy front would very quickly chill investment in an area where we have only begun to skim the surface of possibilities and innovation.

We believe that so-called "net neutrality" regulations, for example, would cut off incentives for investment by imposing needless restrictions on the services that network operators could provide, the business plans they could develop, and the fees they could charge. Net neutrality regulation proponents essentially argue that various business and investment models must be off limits.

Not only would such restrictions make it difficult to cover the cost of increased investment, but they also limit service options and quality guarantees to meet the needs of small businesses and other Americans. Our constituents want more choices, not fewer, so they can choose the broadband options and services that best suit their needs. With the Internet still in its early stages of development, radical government intervention at this critical juncture could create unintended consequences for small firms with respect to costs, competitiveness, and flexibility in service choices -- all of which could impact a firm's growth potential.

The regulatory framework as prescribed by net regulation proponents is, at its core, a "one-size-fits-all" approach, which has never been good for entrepreneurs who need flexibility and choice in managing their businesses. Net regulation supporters claim that small firms will be harmed by differentiated or prioritization services, but that is simply untrue. Such

service diversity is already on the market, which has been a positive development for small businesses. There are more advanced services for small to mid-size firms that require sophisticated tools, while established service remains available for start-ups, home-based businesses or entrepreneurs who have less complex business models.

In the recent SBE Council study, “Telecommunications Policy Choices & Entrepreneurs” we highlight the fact that small and mid-size firms are taking advantage of the range of services on the market. Such choices are an important development for small firms as they have the opportunity to choose service depending upon the scale and need of the business.

For example, according to the study:

- “For some businesses, for example, that may mean a low-cost and simple package for high-speed Internet access versus a speedier connection, and more complex services. A simple review of Verizon’s high-speed Internet packages for businesses show monthly pricing from \$29.99, \$39.99, \$59.99 and up to \$199.99. Business email, security services, or web services are also offered depending, again, on scale and needs.”
- “Consider, for example, the case of Tijuana Flats Burrito Co. in the Orlando, Florida, area. According to a March 7, 2007, story in the *Orlando Sentinel*, this fast-food restaurant uses a next-generation Internet connection to ‘transmit big files and conduct daily backup of vital company data.’ The connection stays busy most of the day ‘transmitting large orders to the vendors who supply the restaurant with beef, chicken, produce and cheese, all the while sending regularly updated sales reports to company headquarters.’ Tijuana Flats uses FDN Communication’s ‘MaxBand’ high-speed network. These higher speed connections can be more than 10 times faster than traditional high-speed services. According to the article, monthly service charges range ‘upward from \$79.99, depending on speed and service.’”
- “The upside for firms using speedier web connections? Lower operating costs, and more efficient operations. Rich Furno, Tijuana Flats’ assistant manager, says such a service allows him to stay out front and monitor what is going on in the store, thus enhancing customer service.”
- “In the same article a dental practice, served by Bright House Networks (an Internet Service Provider), uses a higher-speed connection to ‘quickly share appointments, charts, X-Rays and doctors’ notes over the networks.’ As noted by the article, entities that generate big files like engineering firms and medical clinics that require ‘fat pipes’ to deliver medical imaging, like radiology files, are turning to these enhanced services because they help meet

a critical need. These speedier web connections are literally transforming businesses, all the while opening the business owner's eyes to greater opportunities."

- "Competition in the higher-speed Web connections market is also quite vibrant as noted in the article. The piece mentions a handful of firms that offer the speedier service to businesses in the Orlando area (there are others of course) including Embarq (a spin off from Sprint Nextel), FDN Communications, Bright House Networks and AT&T."

Most small businesses agree with the general concept of paying additional dollars for higher levels of services, and as the above examples make clear, such differentiation in service choices is a welcome development for business owners who are always looking to save time and money, and meet the needs of customers more efficiently. As an important side note, there have been no reports of other business's Internet service having been disrupted or content or web site blocked, due to such premium-need services.

In fact, there is no evidence to date of the type of actions that net neutrality advocates seek to prevent. While we certainly support efforts to protect consumers against misconduct by Internet service providers or others involved in Internet commerce, we believe the type of *pre-regulation* proposed to date is not only unwarranted and without cause, but would be extremely counterproductive.

As noted above, Internet service providers, content providers, and entrepreneurs are currently enjoying the freedom to develop various business models, and to experiment and innovate in order to determine what works best in the marketplace. Would it make sense for Internet service providers to poorly serve small business owners, or leave them in the "slow lane" as some contend, after investing extraordinary time and resources to attract their business?

The small business market is extremely powerful and profitable, and even *if* the dire scenario painted by net neutrality proponents came to be regarding the threat of inferior service or second-class treatment on the Web, wouldn't the power of social networks quickly put a stop to such mistreatment?

A government dictate not only would stifle innovation and limit choices, but also would shift many costs directly onto the backs of small business owners. Incentives to invest in expanding and improving broadband networks clearly would be curtailed.

The implications for small businesses, as entities that purchase Internet access and seek out customers via the Internet, would not be positive. It would lead to higher costs for both small businesses, and their current and potential customers.

Business use of the Internet for operational, marketing, sales and other purposes is expected to explode. Small firms in particular are learning from the experiences and best practices of early adopters and innovators that are using a variety of Web-based strategies in business operations. Whether such strategies include using video or content-rich e-communications for marketing purposes; delivering large files of information or data to customers, vendors, suppliers, satellite offices or employees that work from home; utilizing e-commerce to sell products or services; or for any number of purposes, as more businesses adopt solutions of an electronic nature, the more need there will be for broadband and a properly functioning Internet.

The decade-long run on a pro-investment policy with respect to telecommunications and the Internet has created historical and positive changes, as well as unlimited opportunities for entrepreneurship and wealth creation. Now is not the time to be ratcheting up regulation or regulatory uncertainty when untold billions in new investment dollars will be needed to increase broadband capacity, modernize and upgrade the infrastructure of the Internet and incentivize entrepreneurs to develop more innovations that will awe and serve consumers.

We appreciate the FCC's thorough review of this subject and ask you to consider the unintended, indeed harmful, consequences that net neutrality regulation would have on small businesses and their customers. We urge you to pursue policies that encourage better broadband and more options, and reject regulations that would interfere with new Internet investment.

Please do not hesitate to contact the SBE Council if you have questions regarding these comments. Thank you for providing the public, and U.S. small business owners and entrepreneurs in particular, a voice on this most critical issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Kerrigan". The signature is fluid and cursive, with the first name "Karen" and last name "Kerrigan" clearly distinguishable.

Karen Kerrigan
President & CEO

SBE Council · 2994 Hunter Mill Road · Suite 204 · Oakton, VA 22124 · 703-
242-5840

www.sbecouncil.org

Protecting Small Business, Promoting Entrepreneurship